



TPW H6104 #9  
Postponed  
until 1/20/04

## Request for City Council Committee Action From the Department of Public Works

**Date:** January 6, 2004  
**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee  
**Referral to:** Honorable Barb Johnson, Chair Ways & Means Committee  
**Subject:** Processing and marketing of recyclable materials from the City's Residential Recycling Program

### Recommendation:

Direct Public Works to negotiate a contract for the processing and marketing of the City's recyclables.

### Previous Directives:

- The existing contract for processing and marketing the City's recyclables expires December 31, 2003, was extended to April 30, 2004.
- The City received responses to the RFP on November 18, 2003.
- On September 30, 2003 the Transportation and Public Works Committee approved the release of the RFP to potential vendors.
- On September 16, 2003 the Transportation and Public Works Committee required staff to present the RFP to Committee for their review.
- The existing contract has been previously extended by 18 months.

**Prepared by:** Susan Young, Director, Division of Solid Waste and Recycling 673-2433

**Approved by:** Richard H. Smith, Jr.

Klara A. Fabry, P.E., City Engineer, Director of Public Works

**Presenters:** Susan Young, Solid Waste and Recycling; Robert Craggs, R. W. Beck

### Financial Impact (Check those that apply)

☒ No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)

- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

☐ Request provided to the Budget Office when provided to the Committee Coordinator

### Background/Supporting Information:

The City of Minneapolis is recognized internationally as a leader in recycling policy, collection and program cost-effectiveness. The City has provided curbside recycling opportunities to its residents for the past twenty-one (21) years. In that time Minneapolis policy makers have repeatedly demonstrated their commitment to promotion of environmental and sustainability goals without compromising cost effective service delivery or outstanding customer service. The City collects an average of 23,000 tons of recyclables from approximately 108,000 residential dwelling units each year. The City presently contracts with a private vendor, B.F.I. Waste Systems, Inc., for the processing and marketing of these recyclables. That contract was set to expire December 31, 2003, and was recently extended to April 30, 2004. In anticipation of the contract expiration, and to insure that the City is taking advantage of the present competitive environment for the processing and marketing of recyclables, the City Council authorized issuance of a Request for Proposals for this service.

Three entities submitted proposals to the City: BFI Waste Services of the Twin Cities, Eureka! Recycling and the Recycle America Alliance (a subsidiary of Waste Management). Each of the Proposers submitted more than one processing and/or financial scenario for the City's consideration. The scenarios gave staff the opportunity to evaluate a variety of collection options and a spectrum of financial risk and reward situations.

The evaluation team consisted of Robert Craggs of R.W. Beck and Associates, a nationally recognized consulting firm on waste management issues; Dan Krivit, a nationally recognized specialist in recycling markets and a sub-contractor with R.W. Beck; and Susan Young. Abdallah Sansouri of the Minneapolis Finance Department contributed to the financial analysis of the proposals. The team evaluated the following components of the proposals:

- Completeness of information and documented compliance with all RFP requirements
- Operations parameters, such as building suitability, management's experience and equipment
- Materials contained in each proposal
- Past performance, including rates of process residuals at other processing facilities
- Strength and redundancy of Marketing Agreements
- Net financial return to the City

The proposals by the three companies were all complete, and in compliance with the RFP requirements. All three companies complied, with minor variances, with the General Requirements of the City. All three companies are capable of processing and marketing the City's recyclable commodities. All three companies proposed on the City's Base Scenario, which is the City's present collection scheme, and all three offered variations on collection for the City to consider. All three companies proposed to market all of the City's commodities, and additional commodities were proposed. All three companies have experienced personnel in the operations and marketing divisions. Some differences were noted in the Marketing Agreements between the companies, with actual agreements (confidential information) submitted by only one company. Differences exist between the companies in net financial return to the City. The evaluation team notes that the City is fortunate to be in a highly competitive market situation for recyclable materials, and that the City's reputation for high quality recyclable materials, due to the efforts of our customers and the collection personnel, significantly contributed to the strength of the proposals.

The team recommends that appropriate City staff be directed to negotiate with Recycle America Alliance. The attached report details specific technical areas of evaluation, and the evaluation of the net financial return to the City. It should be noted that the proposal submitted by this vendor, when compared to the 2002 actual revenues paid to the City, results in an increase over previous years. While recyclables are a commodity, and like all other commodities are cyclical in price, it is anticipated that an agreement with Recycle America Alliance will provide a positive net return for the processing and marketing of the City's recyclables and will result in an excellent strategic partnership that will support the City's recycling efforts in the future.

Attachment: Recyclable Materials Processing – Review of Proposals

**MEMORANDUM**

To: Susan Young  
Division of Solid Waste and Recycling  
City of Minneapolis

From: Bob Craggs, Dan Krivit

Subject: **Recyclable Materials Processing – Review of Proposals**

Date: December 19, 2003

**Overview**

The City of Minneapolis (City), Division of Solid Waste and Recycling (Division) distributed a request for proposals (RFP) for recyclable materials processing and marketing services in October of 2003. A pre-proposal conference was held on Tuesday, November 4, 2003 to provide an overview of the RFP and answer vendor questions. The proposed term for the processing services agreement is three to five years. The Division intends to select a preferred vendor and initiate negotiations to finalize an agreement. Proposals were received by 4:00 p.m. on November 18, 2003 from the following vendors:

- Recycle America Alliance (RAA), a subsidiary of Waste Management, Inc.;
- Browning Ferris Industries (BFI), a subsidiary of Allied Waste; and
- Eureka Recycling.

**Scope of Review**

R. W. Beck, Inc. and Dan Krivit and Associates (Project Team) reviewed the three proposals as related to the Special and Operating Requirements of the RFP. Our review included site visits and related discussions with representatives of each of the three vendors submitting proposals. The Project Team's review did not include review of the General Requirements because these requirements are specific to vendors contracting with the City and are better addressed by the City.

The proposal evaluation criteria identified in the RFP included the following:

- Distance of the proposer's materials recycling facility (MRF) from 2710 Pacific (i.e. present staging location for City's collection fleet);
- Anticipated dumping or throughput time of City's vehicles at processing facilities;
- Materials accepted for processing;
- Processing residual rates at reference facilities;
- Strength of marketing agreements;

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- Net financial return to the City; and
- Completeness of the information submitted.

## Summary of Review

The following table summarizes the results of our review as related to the evaluation criteria listed above. Please note that during our due diligence review some mathematical errors were found in the pricing components of each proposal. These errors were corrected to ensure consistency when comparing the three proposals.

**Summary Review Table**  
**City of Minneapolis Recyclable Materials Processing**

Evaluation Criteria	BFI	RAA (c)	Eureka
Distance from 2710 Pacific Avenue – City Fleet Staging Location	Within 4 mile minimum distance	Within 4 mile minimum distance	Within 4 mile minimum distance
Anticipated Materials Dumping Time	Per proposed facility layout and staffing, appears acceptable	Per existing facility layout and staffing, appears preferable	Per proposed facility layout and staffing, appears acceptable
Materials Accepted	All materials presently collected, as well as the additional materials of tennis shoes, textiles, and hard cover books	All materials presently collected, as well as the additional materials of polypropylene and PVC bottle plastics	All materials presently collected, as well as the addition of textiles
Reference Facilities	Minneapolis Recycling MRF (present materials processor)	Madison MRF Twin Cities MRF	New Brighton MRF Minnehaha (WM MRF) Recycle Ann Arbor
Strength of Marketing Agreements (i.e. sum of 2001 and 2002 highest net return by commodity ) (a)	Tin cans and OCC	Glass and HDPE-Natural Plastics	ONP, Aluminum, HDPE Colored and PET Plastics, OMG, and mixed paper
Net Return to City (i.e. sum of 2001 and 2002 total net revenue for Base Scenarios Only (b)	\$1.51 million	\$1.69 million ("fixed and market prices") \$1.42 million (" market prices")	\$1.62 million
Completeness of Information	Adequate	Complete and well organized	Complete and well organized

Notes:

- (a) "Strength of Marketing Agreements", as summarized here, is a simple comparison of the highest net return to the City by commodity for the total during the two-year comparison period (i.e., 2001 + 2002, 24-month total) applying all the scenarios. Each proposer has provided adequate documentation of sufficient end-market capacity for all commodities in the base scenario.

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- (b) "Net Return to City" is as contained within each proposal for their "Base Scenario" only (including RAA's "fixed price alternative"). The City's RFP required respondents to use historical prices (as published in proposer-selected trade journals) for the comparison period of 2001 through 2002 as a means of equitably comparing proposed revenue sharing formulae.
- (c) RAA offered two net revenue return proposals for consideration by the City under the base (source separated) scenario: one with all commodities assuming "market floating prices" indexed to published journals; and the second revenue alternative with some commodities with "fixed prices". Under this "fixed price" alternative, as proposed by RAA, prices for newspaper, magazines, mixed paper, and aluminum would have fixed prices and not fluctuate like other commodities.

As part of the above analysis, we recommend that the City consider the following additional criteria:

- Risk tolerance associated with recyclable materials market fluctuations;
- Processing facility layout, equipment configuration and operational readiness; and
- Anticipated compatibility with future direction of City's recycling program.

It should be noted that other processing alternatives were offered by the three proposers, including dual stream and single stream recyclable materials processing. Detailed tables for the entire proposed pricing are attached for reference. Table 1 provides a summary of the comparison of the proposed pricing by scenario and by proposer. Table 2 provides the detailed, commodity-by-commodity price comparisons of each proposal for each of the two years evaluated (i.e. 2001 and 2002).

## Potential Change in Collection System Design

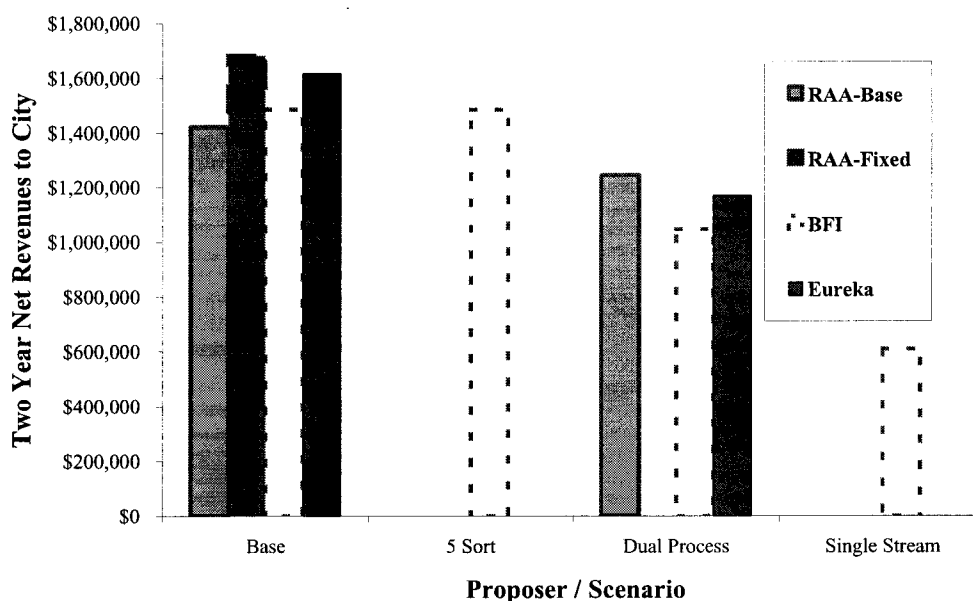
All three respondents provided "base scenario" proposals requiring no change in the City's current collection operations. In addition, each of the three proposers submitted a dual stream alternative. Only BFI included a single stream alternative. If either alternative approach is selected by the City, a change to dual stream or single stream programs would require a public education campaign to inform residents about new recyclables preparation instructions (i.e., new "commingling" and set-out procedures) and specific changes to the City's present collection system would need to be implemented. Figure 1 below graphically displays the relative comparisons of the two year net return to the City by each respondent for their base scenarios.

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**Figure 1**  
**Comparison of Proposal Pricing Scenarios**  
**(Total 2001 and 2002 Net Revenues)**



The difference in average revenue between the base scenario and the dual stream scenario was a greater return of approximately \$370,500 over the two-year period. The difference in average revenue between the base scenario and the single stream scenario was a greater return of approximately \$886,000 over the two-year period. This reflects the higher cost of processing that results in lower net value for materials that are commingled, as compared to source separated. Given the limited information submitted by proposers, it is speculative at best whether the City's potential savings in collection costs (e.g., fewer collection routes) would adequately offset these lower material revenues. Specifically, there has been substantial investment by the City into the current fleet of recycling vehicles to provide a source separated collection program. Some of the alternatives proposed would require modification of the fleet, purchase of collection carts, and substantial investment in a public education campaign. Minimal information was provided by the proposers to adequately determine the costs of these potential changes. Therefore, it is recommended that the City continue to pursue its current collection system approach (i.e., source separated). For these reasons the Project Team focused

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its analysis on the "Base Scenario" proposals and alternatives which involve no change to the City's collection approach.

## Pricing Alternatives

RAA offered a "base scenario" with all the commodities having market fluctuating or "floating" net prices resulting in an estimated total net revenue to the City for the two-year comparison period of \$1.42 million. However, RAA also offered the same base proposal, but with "fixed" prices for newspaper, mixed paper, and aluminum and market floating prices for the remainder of the commodities. This "base-fixed price" proposal alternative resulted in the highest total net revenue to the City of \$1.69 million for the two-year period evaluated. The RAA fixed price proposal is a definite advantage to the City during times of lower market prices because it ensures a base net revenue for critical commodities during market volatility. However, when market pricing is above historical averages, the City will not reap all of the market benefits. Eureka's base proposal for the two year period offered the next highest total net revenue of \$1.62 million for the two year period evaluated. This represents less than a 5% difference from RAA's base-fixed price proposal. BFI's base proposal for the two year period offered total net revenue of \$1.51 million for the two year period or approximately 11% less than RAA's base-fixed price proposal.

The historical periods of 2001 and 2002 used in the RFP process had some pricing fluctuations for recyclable materials as reflected in Table 2. The two commodities composing the greatest proportional share of the net revenues are aluminum and old newspaper. Eureka's base pricing for aluminum and 50% pricing for ONP provide the highest proportion of net revenue benefits by commodity. We would caution the City that it is speculative to predict or "forecast" recyclable commodities over the contract period (2004 through 2009). Yet, it is likely that the overall market pricing trend for fiber grades will improve. The situation for aluminum is less predictable, as it is more sensitive to the dynamics of the global marketplace of recyclables commodities.

## Recommendation

Based upon the review of the proposals and application of the above criteria, we recommend that the City of Minneapolis initiate negotiations with Recycle America Alliance (RAA). All three proposers are qualified and have offered proposals for processing and marketing the City's recyclable materials with expected net revenues to exceed the current contract pricing. However, RAA's combination of extensive recyclable materials processing experience, facility operational readiness, accommodating facility layout for the City's collection program, and "fixed" - base scenario net revenue pricing results in RAA being the preferred vendor to continue with the existing source separated collection program. Based on the proposals, continuing with this type of recycling program appears to promote the potential for additional

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annual net revenues. The floor prices offered by RAA minimize the extent of the annual revenue volatility.

Thank you for the opportunity to assist the City of Minneapolis with this review. Do not hesitate to contact us if you have any questions.



# ATTACHMENTS

**Table 1**  
**Comparison of Net Revenues By Scenario, as Adjusted**

2001				
	RAA-Base	RAA-Fixed	BFI	Eureka
Base	\$641,873	814,153	\$676,490	\$736,652
5 Sort			676,490	
Dual Process	516,521		456,890	519,151
Single Stream			237,290	
Base 75% Share				707,041
Base 50% Share				672,376
Dual 75% Share				530,618
Dual 50% Share				487,186
2002				
	RAA-Base	RAA-Fixed	BFI	Eureka
Base	\$782,089	870,863	\$829,658	\$880,749
5 Sort			829,658	
Dual Process	675,771		611,018	656,469
Single Stream			392,378	
Base 75% Share				810,772
Base 50% Share				738,815
Dual 75% Share				631,042
Dual 50% Share				550,955
Two Year Total				
	RAA-Base	RAA-Fixed	BFI	Eureka
Base	\$1,423,962	\$1,685,016	\$1,506,148	\$1,617,401
5 Sort			\$1,506,148	
Dual Process	1,192,292		\$1,067,908	1,175,621
Single Stream			\$629,668	
Base 75% Share				1,517,813
Base 50% Share				1,411,191
Dual 75% Share				1,161,660
Dual 50% Share				1,038,140

# ATTACHMENTS

**Table 2**  
**Comparison of Net Revenues by Commodity, As Adjusted - Base Case**

2001							
Commodity	RAA	RAA Fixed	BFI	Eureka 100%	Eureka 75%	Eureka 50%	Best Price
Newspaper	\$153,476	\$286,212	\$237,473	\$150,365	\$229,436	\$292,953	Eureka 50%
Cans-Aluminum	313,632	336,600	363,792	376,020	283,500	193,950	Eureka 100%
Cans - Tin	(62,350)	(62,350)	13,200	(30,000)	(20,250)	(6,000)	BFI
Glass							
Clear	52,988	52,988	12,348	44,157	33,118	22,079	RAA/ RAA Fix
Brown	33,387	33,387	2,664	26,710	20,032	13,355	RAA/ RAA Fix
Green	6,031	6,031	(21,816)	0	0	0	RAA/ RAA Fix
Plastic	141,142	141,142	55,221	144,965	112,280	86,703	Eureka 100%
HDPE-Colored	25,451	25,451		32,785	25,478	19,948	Eureka 100%
HDPE - Natural	44,651	44,651		42,265	32,588	24,688	RAA/ RAA Fix
PET	71,040	71,040		69,915	54,214	42,068	RAA/ RAA Fix
OCC	9,750	9,750	19,800	9,000	15,188	20,250	Eureka 50%
Phone Books	(5,928)	(5,928)	(936)	(9,360)	(4,095)	780	Eureka 50%
OMG	13,024	24,288	12,672	12,760	19,470	24,860	Eureka 50%
Mix Paper	(13,280)	(7,968)	(17,928)	12,035	18,364	23,448	Eureka 50%
<b>Total</b>	<b>\$641,873</b>	<b>\$814,153</b>	<b>\$676,490</b>	<b>\$736,652</b>	<b>\$707,041</b>	<b>\$672,376</b>	<b>RAA Fixed</b>

2002							
Commodity	RAA	RAA Fixed	BFI	Eureka 100%	Eureka 75%	Eureka 50%	Best Price
Newspaper	\$259,408	\$288,696	\$333,674	\$245,810	\$302,033	\$342,565	Eureka 50%
Cans-Aluminum	351,720	408,000	407,760	438,597	330,748	226,498	Eureka 100%
Cans - Tin	(63,300)	(63,300)	15,840	(36,000)	(24,300)	(7,200)	BFI
Glass							
Clear	58,269	58,269	12,852	46,002	34,502	23,001	RAA/ RAA Fix
Brown	34,782	34,782	2,784	27,826	20,869	13,913	RAA/ RAA Fix
Green	6,283	6,283	(22,680)	0	0	0	RAA/ RAA Fix
Plastic	97,099	97,099	49,192	105,160	82,830	68,420	Eureka 100%
HDPE-Colored	24,373	24,373		30,800	24,090	19,360	Eureka 100%
HDPE - Natural	54,782	54,782		41,360	32,010	24,640	RAA/ RAA Fix
PET	17,944	17,944		33,000	26,730	24,420	Eureka 100%
OCC	27,450	27,450	25,864	17,995	20,359	21,808	RAA/ RAA Fix
Phone Books	(110)	(96)	(36)	(360)	(158)	30	Eureka 50%
OMG	18,848	20,976	10,944	17,860	21,945	24,890	Eureka 50%
Mix Paper	(8,360)	(7,296)	(6,536)	17,860	21,945	24,890	Eureka 50%
<b>Total</b>	<b>\$782,089</b>	<b>\$870,863</b>	<b>\$829,658</b>	<b>\$880,749</b>	<b>\$810,772</b>	<b>\$738,815</b>	<b>Eureka 100%</b>



Recycle America  
ALLIANCE

A Subsidiary of Waste Management, Inc.

1800 Broadway St. NE  
Minneapolis, MN 55413  
612.379.1360  
612.379.1362 Fax

January 2, 2004

Members of the Transportation and Public Works Committee  
City of Minneapolis  
350 South 5<sup>th</sup> Street  
Minneapolis, Minnesota 55415-3940

RE: Processing and Marketing of Recyclable Materials

Dear Transportation and Public Works Committee Members:

Recycle America Alliance (RAA), a subsidiary of Waste Management, is pleased to have been recommended by City staff and its consultants to proceed with negotiation for the processing and marketing of recyclable materials from the City's residential recycling program.

RAA operates 80 recycling facilities throughout the U.S. and markets more than six million tons of recycled materials on an annual basis. Our Twin Cities Materials Recovery Facility (TCMRF), located on Broadway in Minneapolis, is a state-of-the-art facility representing an investment of more than nine million dollars. Nationally recognized, the TCMRF receives more than 600 tons of recyclables per day, making it one of the ten largest MRFs in North America. It receives materials generated by both residential and commercial customers, collected in a variety of methods by Waste Management as well as independent hauling companies.

Staff's recommendation package describes their comprehensive evaluation of proposals leading to the recommendation of RAA. Here are a few points worth noting as you consider staff's recommendations:

- Proximity to the City's facility at 2710 Pacific Street minimizes transportation time and costs. The TCMRF is located within the four-mile radius of 2710 Pacific Street, sought by the City, and provides easy access.
- Safe and timely management of materials unloading is a key consideration for the City. The TCMRF site provides superior on-site traffic management options including abundant queuing areas, large areas for turning trucks and two truck scales. The scales are fully integrated to a PC scale program providing accurate data collection and real time reporting, including electronic reporting to the City. The doors to the enclosed unloading areas have unrestricted heights exceeding the City's request for 24 feet in order to minimize possible damage to trucks or building. Special considerations have been made to address the needs for unloading the City's collection trailers in inclement weather.



Recycle America  
ALLIANCE

A Subsidiary of Waste Management, Inc.

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Our safety procedures and training show a clear commitment to eliminating accidents and injuries for our employees *and our customers*. Written operations programs, regular safety training, written programs for safe loading and unloading and review of safe dumping operations and use of protective equipment are just a few of the examples for our commitment.

- Extensive experience and diverse market outlets for recycled materials will benefit the City. RAA is the largest marketer of recovered paper in the U.S. Our experience in processing and marketing plastics, metals and glass is unrivaled. This experience extends well beyond local and regional market outlets for materials and assures consistent movement of materials with enhanced pricing.
- Financial strength and stability guarantee contractual performance for the City and continued innovation. RAA is a subsidiary of Waste Management, Inc. Waste Management is the nation's largest provider of waste collection, disposal and recycling services. It has net operating revenues exceeding \$11 billion. This not only assures financial strength for performance but also provides the ability to obtain capital for continuing innovation.

We realize that some of you may be unfamiliar with our operations and the TCMRF. We are confident that after consideration of criteria, you will agree with the recommendations of City staff and consultants. If you would like to visit the TCMRF, please feel free to contact me at 612-379-1360 ext. 20. Our team is always proud to demonstrate the capabilities of our facility, operations and personnel.

Sincerely,

*Steve Dunn*

Steve Dunn  
District Manager

Committee Members:

- Sandra Colvin Roy, Chair
- Scott Benson
- Barret Lane
- Robert Lillegren
- Gary Schiff
- Dean Zimmermann

Cc: Paul Ostrow, Ward 1 (TCMRF Ward)  
Klara A. Fabry, P.E., Director of Public Works  
Susan Young, Solid Waste and Recycling  
✓ Anita Roby, Committee Coordinator

DEPARTMENT  
CITY CLERK  
04 JAN -2- PM 3:03  
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MINNEAPOLIS, MN